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FISCAL IMPACT REPORT

SPONSOR Varela DATE TYPED 1/29/04 HB 239

SHORT TITLE Procurement Code Exemptions SB _____

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			See Narrative		

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	\$375.0		Recurring	OSF

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

Department of Public Safety (DPS)

Tourism Department (TD)

Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Bill 239 provides exemptions from the Procurement Code for the following:

- Works of art for museums or for display in public buildings or places.
- Contracts entered into by a local public body with a person, firm, organization, corporation or association or a state educational institution named in Article 12, Section 11 of the Constitution of New Mexico for the operation and maintenance of a hospital pursuant to

Chapter 3, Article 44 NMSA 1978, lease or operation of a county hospital pursuant to the Hospital Funding Act or operation and maintenance of a hospital pursuant to the Special Hospital District Act.

- Purchases of advertising in all media, including radio, television, print and electronic.
- Purchases of promotional goods intended for resale by the tourism department.

Significant Issues

DOH notes there are communities where public entities have lease arrangements with local hospitals. The Procurement Code requires that a government entity renew leases every four years. Consequently, the cost of long-standing leasing arrangements has the potential to greatly increase. Last year the Hospital Funding Act passed and addressed this issue but the language needs clarity. This bill clarifies the exemption for these long-standing leasing arrangements.

DOH claims this bill will simplify purchases of advertising in all media.

TD states that the New Mexico Magazine and the TD marketing divisions rely on enterprise funds to enhance the promotion the State of New Mexico as a tourism destination. Products are purchased to be resold through print and online catalogs. It is critical to the success of this program for the TD to be able to make decisions as to the marketability and profitability of potential products based on subjective judgment and marketing experience rather than purely objective criteria such as price. This is a program that needs to expand to provide increased revenue and can only do so under the provisions of this bill with the ability to significantly expand these catalogs through the negotiation of contracts directly with chosen suppliers.

DPS states that the provisions of this bill will speed up the process of obtaining equipment.

FISCAL IMPLICATIONS

DOH claims that advertising rates do not go down as a result of being subject to the Procurement Code. Rates paid by state agencies will not go up as a result of this exemption.

TD estimates the New Mexico Magazine will generate \$375,000 in increased revenues in FY05.

TD believes they have sufficient policies and procedures for procurement of promotional items for resale. This bill will save money by eliminating the present need for redundant justification relating to common purchases.

ADMINISTRATIVE IMPLICATIONS

DOH believes there will be labor savings for the DOH staff associated with simplification of the process.

TD agrees that the removal of delays in the procurement process will significantly decrease administrative costs by increasing efficiency.

DW/yr